



Instituto de Crédito Oficial

**SMEs IN SPAIN:
THE CASE FOR A DRIVEN RECOVERY**

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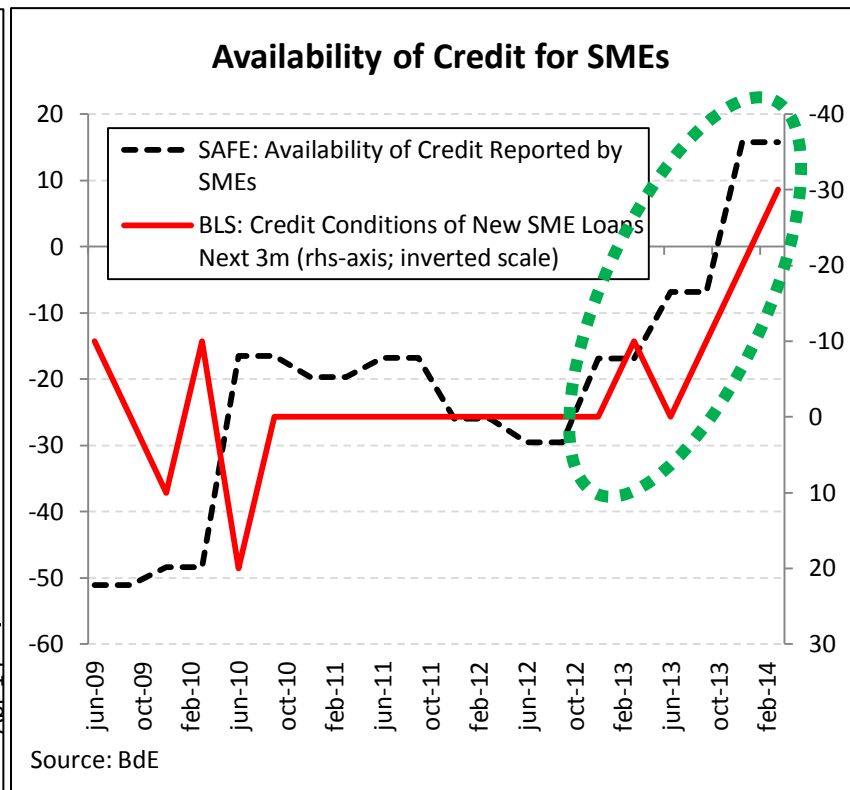
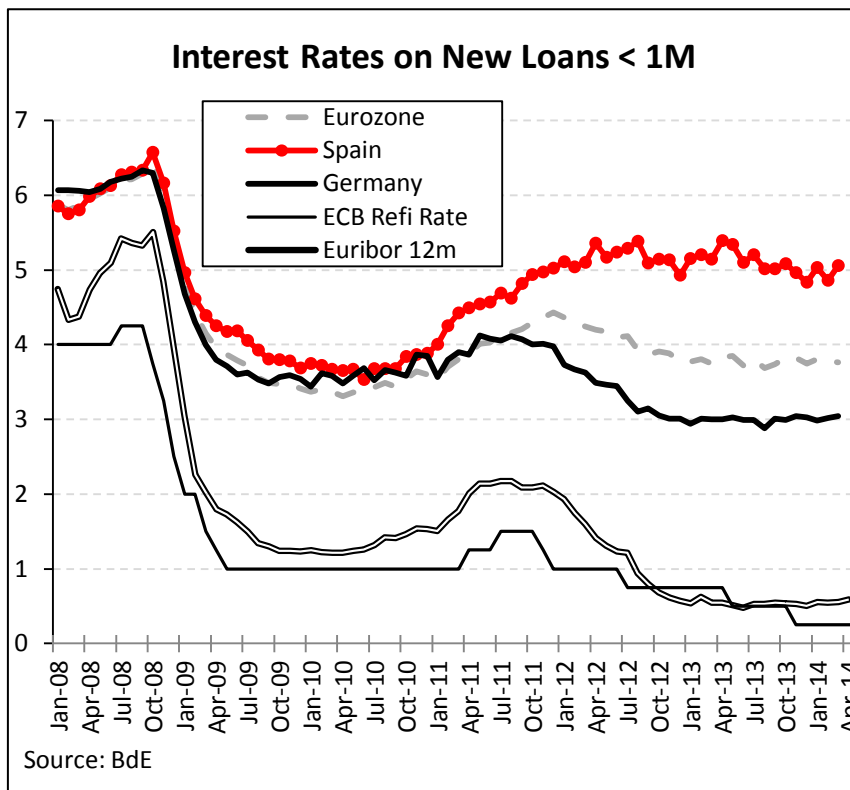
Rome, July 7, 2014

Recent SME Credit Dynamics

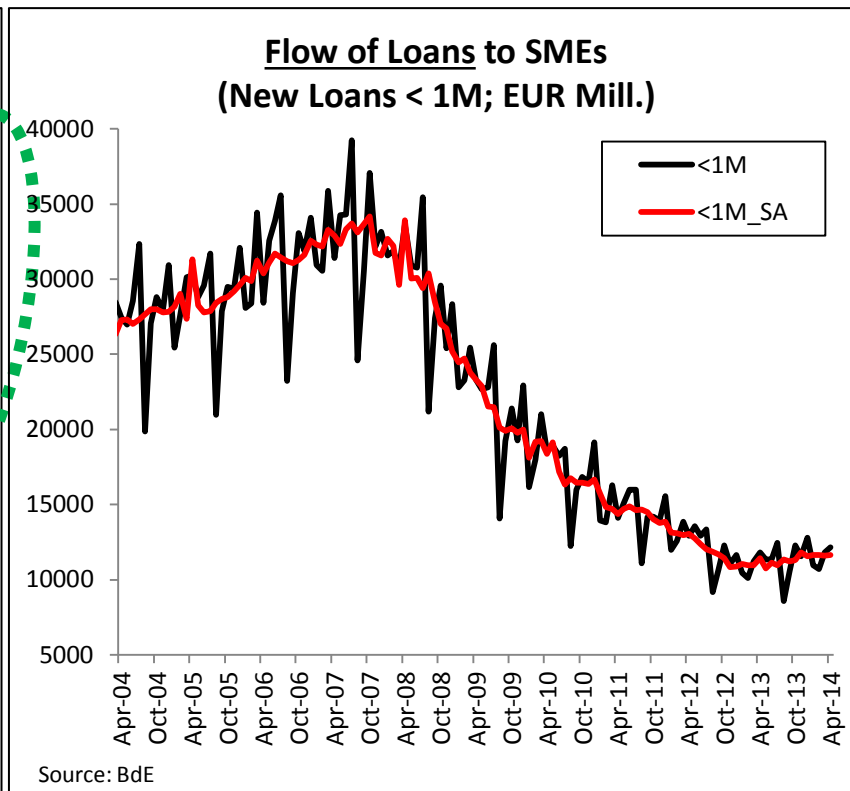
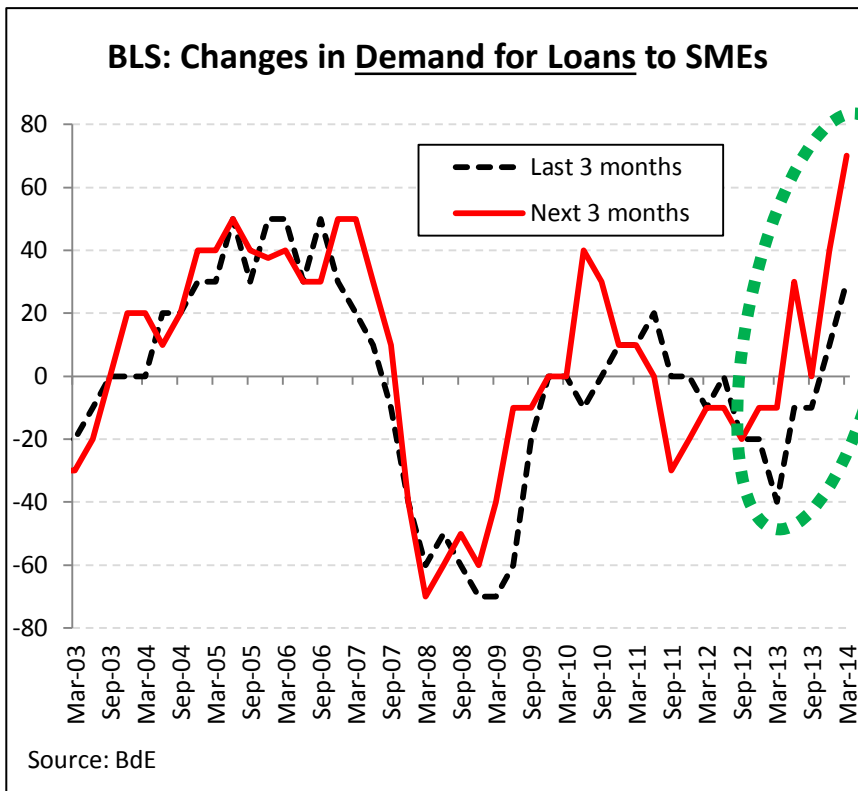
**Outlook: ECB's TLTROs and
Banking Union**

Fostering SME: ICO's actions

Even though interest rates on new loans remain relatively high, both banks and SMEs are reporting improvements in the availability of credit



Moreover, both quantitative and qualitative improvements are being observed in the demand for loans to SMEs

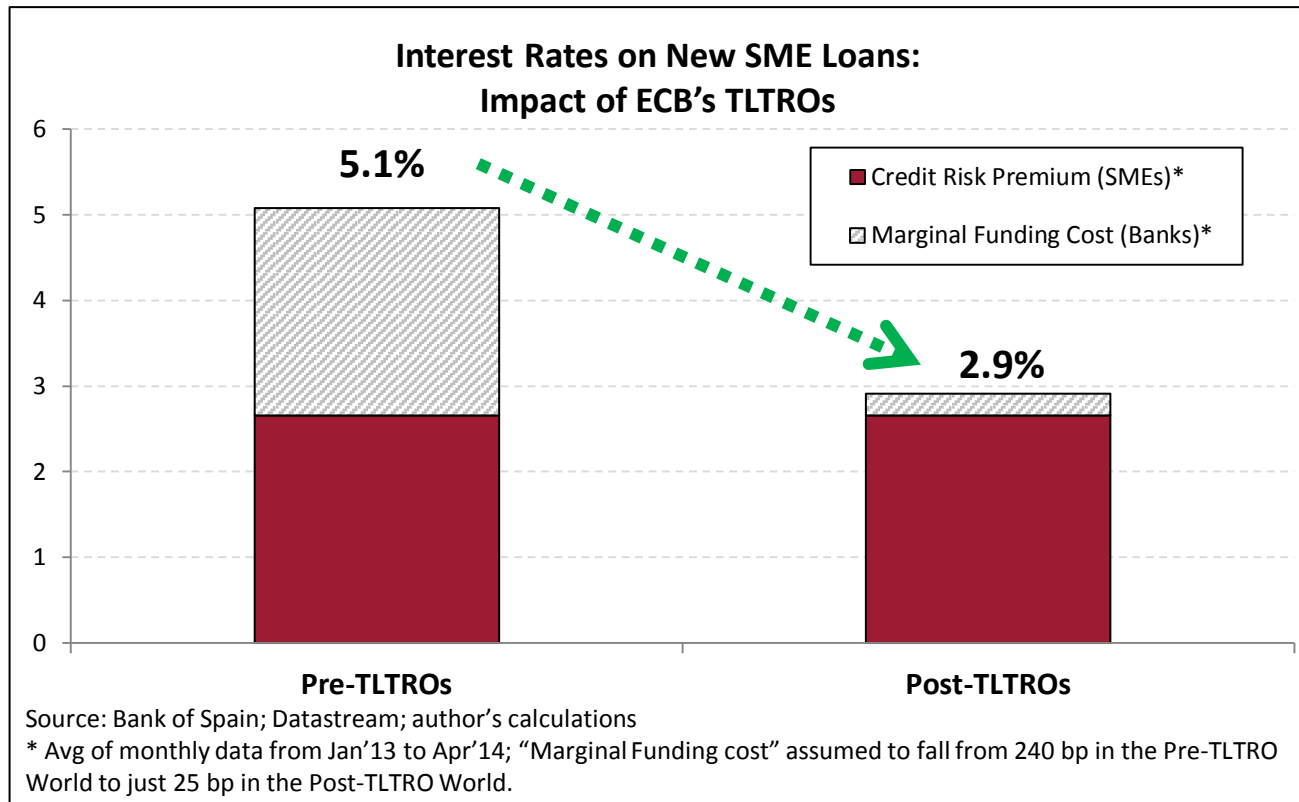


Recent SME Credit Dynamics

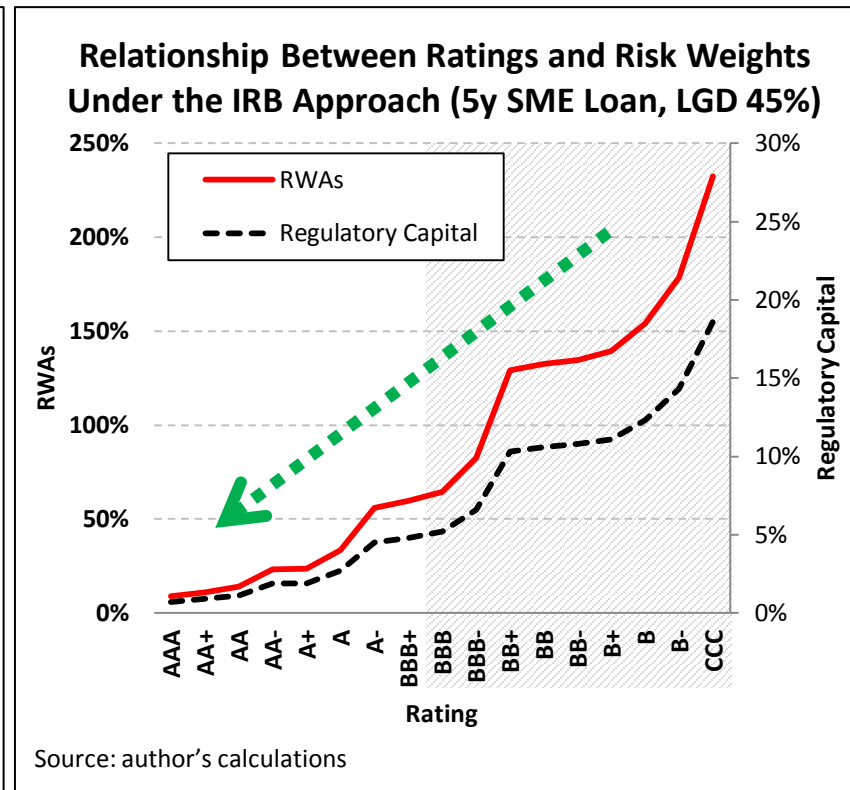
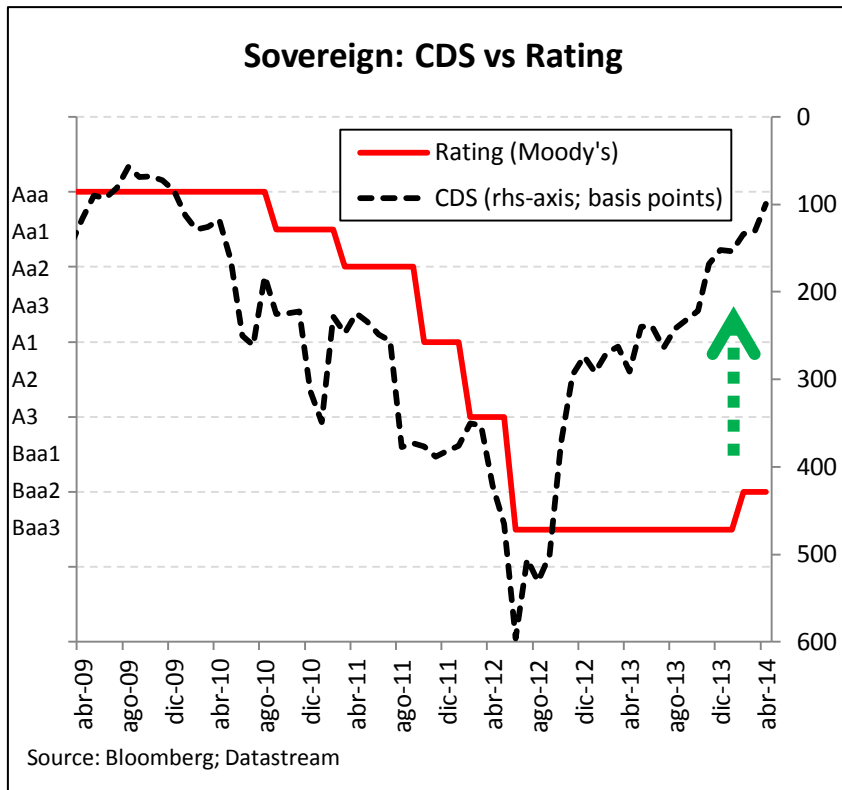
Outlook: ECB's TLTROs and Banking Union

Fostering SME: ICO's actions

With banks competing for lending to SMEs, the ECB's announcement might lead to a "race to the bottom" in interest rates in the short run (*price effect*)



However, later on, the combination of cheap funding from the ECB and lower risk weights on corporate loans should help boost new loans (*quantity effect*)



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Fostering SME: ICO's actions

In this situation, some of ICO's strategies of action to foster Spanish SME are:



As State-owned Bank

Second-floor facilities:

Exporters, SME and Entrepreneurs

Capital and Quasi Capital instruments (AXIS)

FOND-ICO Global:

€1.2 bn Fund of Funds program created to revitalize the PE/VC industry in Spain

As the State's Financial Agency

Management of State Funds

Fund for financing supplier payments

(FSP) finished in March 2014

FSP: Mechanism

A temporary mechanism was designed to intermediate between suppliers and Territorial Administration (Regional/Local), helping Territorial Administration pay off the stock of regional and local commercial debt outstanding.

- The operation begins with a submission by the Territorial Administrations to the Ministry of Finance and Public Administration of the list of arrears to suppliers.
- The operation was orchestrated through a Fund (FSP) financed by a Syndicated loan provided by more than 90% of the Financial Institutions operating in Spain. It was specially designed for providing liquidity to suppliers and financing to the Territorial Administration.
- The FSP granted loans to the Territorial Administration with the condition that the Territorial Administration must design an adjustment plan that guarantees the sustainability of expenditures in the long term and ensures the repayment of the loan.
- The syndicate of banks got a double guarantee: State Guarantee and pledging of state income tax corresponding to the Territorial Administration.
- Payments are directly made to suppliers, not to the Regional/Local Administration. **ICO was the Payment Agent.**
- Gradual approach in 3 phases from 2012 to 2014: 41,815 M€. **ICO contribution was 7 bn€.**

ICO's actions over Spanish SME have the following effects:

Second-floor facilities:

Exporters, SME and Entrepreneurs

Capital and Quasi Capital instruments (AXIS)

FOND-ICO Global: €1.2 bn Fund of Funds program created to revitalize the private equity industry in Spain

Management of State Funds

Fund for financing supplier payments (FSP)

finished in March 2014

- Reducing pressure over interest rates
- Decreasing SME's reliance on a specific commercial bank
- Increasing corporate size
- Easing access to capital markets
- Fostering innovation
- Eradicating late payments (from Public Administration)

Thank you for your attention!!



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